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WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN

1999 ANNUAL REPORT

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PROFILE

As of March 31, 1999, the trustees of the Workers' Compensation Board Superannuation Plan were John Cook, Chair and Superannuation Commissioner; Owen Carr, Plan Member Representative; and Sid Fattedad, Workers' Compensation Board (WCB) Representative.

The Superannuation Commissioner administers the plan as Chief Executive Officer for the Superannuation Commission, a division of the British Columbia Ministry of Finance and Corporate Relations.

The Office of the Chief Investment Officer (OCIO), an independent business unit within the Ministry of Finance and Corporate Relations, manages the plan's investments. The OCIO is one of the largest institutional investors in Canada. The trustees review and approve the plan's investment policies.

The WCB Superannuation Plan holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. Following diversification into equities that began in late 1997–98, the plan holds a mix of debt investments (money market securities, bonds and mortgages) and equity investments (stocks and real estate) with a market value of $513.6 million as of March 31, 1999. Despite the poor performance of the Canadian stock market, the WCB Superannuation Plan generated a 3.0% return in fiscal 1998–99. The two-year annualized return has been a strong 12.5%.

The WCB Superannuation Plan is a contributory defined benefit pension plan. This means the employee's basic pension is guaranteed regardless of the financial health of the plan. Benefits are based on the employee's highest five years of salary, length of service and age at retirement.

Effective January 1, 1998, employees are entitled to a pension with two or more years of pensionable service.

Active membership in the WCB Superannuation Plan has grown 7% in five years. The number of pensioners also continues to grow, primarily as a result of the aging of the plan's members. The number of pensioners on the payroll increased 5% from 1998 to 1999. Today, there are over 3,000 plan members and approximately 600 pensioners.

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The Workers' Compensation Board Superannuation Plan is financially sound. Net assets increased by $13 million to $514.6 million at March 31, 1999.

MESSAGE FROM THE TRUSTEES

We are pleased to present you with the Workers' Compensation Board Superannuation Plan Annual Report for the fiscal year ending March 31, 1999. On behalf of the plan's trustees, we would like to welcome all new members to the plan. At present, there are over 3,000 active plan members and approximately 600 pensioners.

This year 47 pensions were granted. This represents a 5% increase over last year. The aging of plan members and the early retirement incentive program (ERIP) made available in 1999 were factors in the increase. The number of plan members eligible to participate in the ERIP was 119; this year, 37 elected to participate and retire under the terms of the program. Purchases of service also continued at a relatively high volume, almost double the number in 1998 and more than triple that of 1997.

The Workers' Compensation Board Superannuation Plan is financially sound. Net assets increased by $13 million to $514.6 million at March 31, 1999. The annual return on the plan's investments dropped from 22.7% in 1997–98 to 3% for the year ended March 31, 1999. However, the plan's performance was in line with the performance of financial benchmarks such as the TSE, which grew in value by 3.9% in the same year.

Total contributions were down this year because 1998–99 was the first full year of planned reductions in contributions. Reductions will continue until December 31, 2000. The most recent actuarial valuation for March 31, 1997 showed a net actuarial surplus of $52 million. The next actuarial valuation will be at March 31, 2000.

This year, the Superannuation Commission continued the development of a new Integrated Pension Administration System designed to streamline pension processing and service improvement. The commission has also focussed on readying critical systems as part of the government-wide Year 2000 compliance effort.

The year under review has been a stable one for the pension plan. We are proud of our record of stablility and careful management, and we are confident that the plan will continue to maintain the same high standards of performance and service to members.

John W. Cook, Chair

Owen Carr, Plan Member Representative

Sid Fattedad
Workers' Compensation Board Representative

FINANCIAL AND OPERATIONAL HIGHLIGHTS

INVESTMENTS AS AT MARCH 31, 1999

($ Millions)

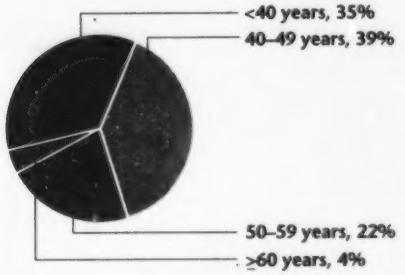
	1999	1998
Market Value	$513.6	$500.4
Basic Account Rates of Return		
Five-year Average	12.0%	13.5%
Annual	3.0%	22.7%
1999 Annual Rate of Return Performance Benchmark	3.9%	

LATEST ACTUARIAL VALUATION–MARCH 31, 1997

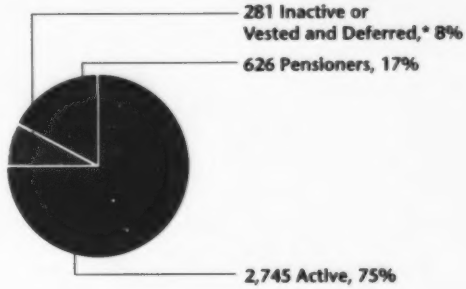
($ Millions)

	Basic Pension Benefits 1997	1994
Actuarial Net Assets	$305.1	$209.8
Actuarial Liabilities	252.3	200.6
Net Actuarial Surplus	$ 52.8	$ 9.2

1999 AGE PROFILE OF ACTIVE CONTRIBUTORS

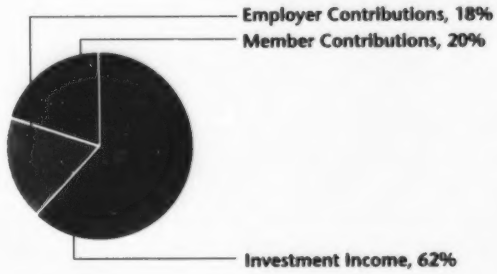


1999 MEMBERSHIP PROFILE

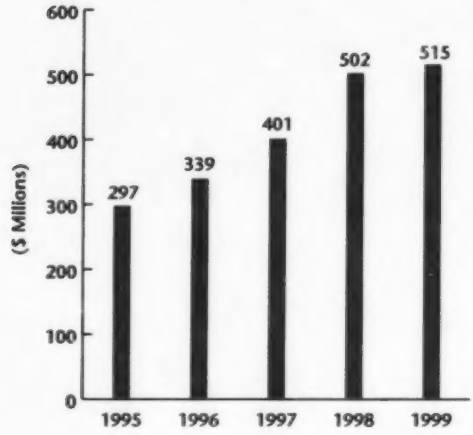


*Members no longer employed, but with money in the plan.

1999 REVENUE



NET ASSETS AVAILABLE FOR BENEFITS AS AT MARCH 31, 1995–1999



FIVE-YEAR SUMMARY STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (UNAUDITED)

($ Thousands)

For the year ended March 31	1999	1998	1997	1996	1995
Increase in Assets					
Net Investment Income	$ 14,814	$ 91,610	$ 52,866	$ 32,650	$ 20,199
Contributions					
Members	4,760	8,068	7,717	7,550	7,431
Employers	4,183	10,194	9,871	9,826	9,370
Transfers from Other Plans	–	–	23	65	181
Total Increase in Assets	23,757	109,872	70,477	50,091	37,181
Decrease in Assets					
Pension Benefits	8,503	7,725	7,268	6,777	6,495
Termination Benefits	1,854	1,196	1,300	685	707
Transfers to Other Plans	–	131	–	–	–
Administration Costs	302	582	89	–	–
Total Decrease in Assets	10,659	9,634	8,657	7,462	7,202
Increase in Net Assets	13,098	100,238	61,820	42,629	29,979
Net Assets Available for Benefits at Beginning of Year	501,488	401,250	339,430	296,801	266,822
Net Assets Available for Benefits at End of Year	$514,586	$501,488	$401,250	$339,430	$296,801

ROLES AND RESPONSIBILITIES

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN TRUSTEES

The Superannuation Plan Trustees include the Superannuation Commissioner, a representative of the plan members and a representative of the Workers' Compensation Board (WCB).

SUPERANNUATION COMMISSIONER

The Superannuation Commissioner is responsible for administering the plan. In carrying out the duties of the position, the commissioner acts as chief executive officer to, and receives support from, the Superannuation Commission, a division of the British Columbia Ministry of Finance and Corporate Relations.

OFFICE OF THE CHIEF INVESTMENT OFFICER

The Office of the Chief Investment Officer (OCIO), an independent business unit within the Ministry of Finance and Corporate Relations, manages investments for the WCB Superannuation Plan. The OCIO is one of the largest institutional investors in Canada.

The Chief Investment Officer (CIO) is under legislative obligation to act in the best financial interest of the beneficiaries of the plan and in accordance with the plan's investment policies. The trustees approve the plan's investment policies and review them every year.

Despite the poor performance of the Canadian stock market, the Workers' Compensation Board Superannuation Fund managed to generate a 3.0% return in fiscal 1998–99. The two-year annualized return has been a strong 12.5%.

INVESTMENTS

MESSAGE FROM THE CHIEF INVESTMENT OFFICER

Markets in Review

Last year was one of the most volatile and worrisome years in recent history. It began on an optimistic note as most analysts felt that Asia had weathered the worst of the currency crisis. However, by late spring, it became apparent that Asia's economic problems would be much more severe and protracted than first expected.

In mid-August, markets were caught off guard when Russia declared a moratorium on some of its debt obligations. This, combined with other events, led to a reduction in the risk tolerance of investors and a drying up of capital flowing to emerging markets. Concerns about risk also affected developed markets and led to a tightening of credit conditions, falling stock prices and a reduction in liquidity. These conditions resulted in problems for some hedge funds, most notably Long-Term Capital Management (LTCM). LTCM was a major player in the derivative market, and its collapse could have put the entire financial system at risk.

Fortunately, there was a dramatic reversal in the fourth quarter of 1998. The U.S. Federal Reserve arranged a bailout for LTCM and cut U.S. interest rates three times in rapid succession. This calmed investors and led to a strong rebound in stock prices. Most markets quickly recovered their losses and resumed an upward trend. Canada, however, was a notable exception, and the TSE 300 Index finished fiscal 1998–99 with a disappointing -11.1% return.

The Workers' Compensation Board Superannuation Fund holds a diversified portfolio and, despite the poor performance of the Canadian stock market, managed to generate a 3.0% return in fiscal 1998–99. In assessing performance, it is important to note that annual returns can be very date dependent. For example, at the end of the calendar year the fund had a 10.0% return. In addition, we are coming off a strong year; in fiscal 1997–98, the fund generated a 22.7% return. Consequently, the two-year annualized return has been a strong 12.5%.

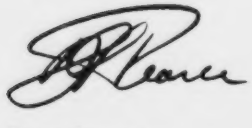
Initiatives in 1999–2000

There are three major initiatives facing my office in the current year. These are improving risk management operations, preparing for Y2K and revising our organizational structure.

The volatility of the market last year clearly illustrates the importance of risk management operations. We are in the process of a comprehensive review of our risk management framework to ensure that it will continue to serve our clients and protect their assets. Risk management needs to be integrated into daily business practices and continuously reviewed and improved.

I am pleased to report that our internal systems and those of our major suppliers are Y2K ready. We have done everything practical to prepare for the event, including having a contingency plan. In addition, we are examining how Y2K may affect the companies that we invest in.

In regards to our internal structure, we believe that there is a strong business case for placing investment operations at arms length from government and ensuring that resource decisions are made in the best interest of the funds under administration. We are hopeful that such changes will be made as part of the process of pension reform.



Doug Pearce
Chief Investment Officer
Office of the Chief Investment Officer
Ministry of Finance and Corporate Relations

APPROVED INVESTMENT ASSET MIX

The trustees approved the asset mix in the table to the right, and diversification of the portfolio into equities began in late 1997–98.

Targets for strategic and short-term allocation of assets must fall within the approved asset mix.

For purposes of the asset mix, short-term investments include Canadian government bonds with one- to five-year terms and money market securities.

	Market Value	
Asset Class	**Lower Limit**	**Upper Limit**
Debt	**30%**	**50%**
Short-term	0%	30%
Bonds	20%	50%
Mortgages	0%	10%
Equity	**55%**	**70%**
Canadian Stocks	25%	50%
U.S. Stocks	0%	14%
International Stocks	0%	14%
Real Estate	0%	10%
Private Placements	0%	2%

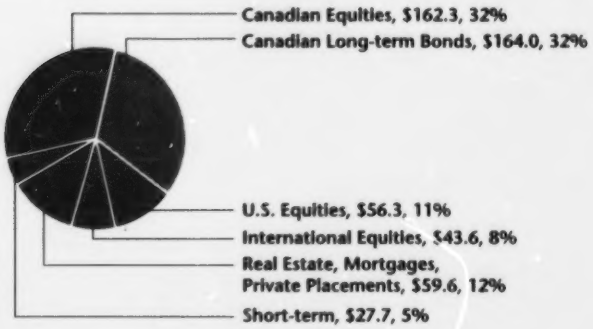
INVESTMENT PORTFOLIO

INVESTMENTS HELD AS AT MARCH 31, 1999

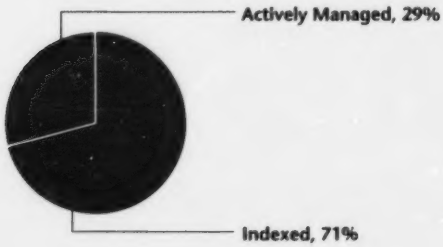
	Market Value	Asset Mix % Market Value
Canadian Government Real Return Bonds	$ 7,238,310	1%
Province of BC Pooled Investment Portfolio Units		
Money Market	9,992,233	2%
Canadian Bonds		
Government	156,776,828	31%
Short Term (1 - 5 years)	17,697,250	3%
Canadian Equities		
Indexed	115,803,469	23%
Actively Managed	46,528,865	9%
U.S. Equities		
Indexed	34,975,994	7%
Actively Managed	21,343,218	4%
International Equities		
Asia	699,214	–
Europe	13,321,090	3%
Europe, Australia and the Far East	28,559,697	6%
Real Estate	37,052,666	7%
Mortgages	15,633,819	3%
Private Placements	6,936,898	1%
Total Pooled Portfolios	$506,321,241	99%
Total Investments	$513,559,551	100%
1998 Comparison	$500,379,598	

1999 INVESTMENT HOLDINGS (MARKET VALUE)

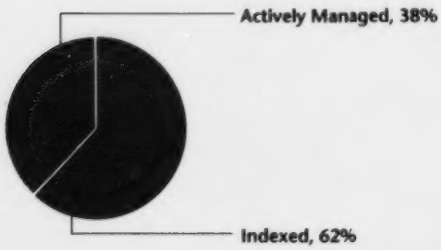
($ Millions)


Canadian Equities, $162.3, 32%
Canadian Long-term Bonds, $164.0, 32%
U.S. Equities, $56.3, 11%
International Equities, $43.6, 8%
Real Estate, Mortgages, Private Placements, $59.6, 12%
Short-term, $27.7, 5%

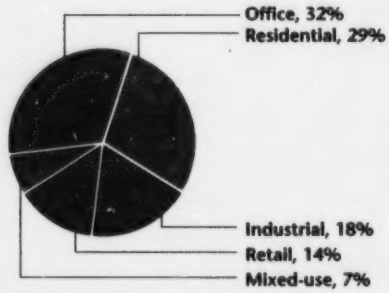
CANADIAN EQUITIES (MARKET VALUE)



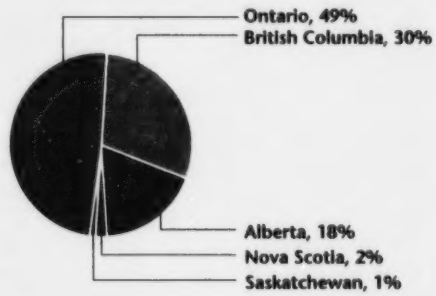
U.S. EQUITIES (MARKET VALUE)



REAL ESTATE, BY TYPE



REAL ESTATE, BY LOCATION

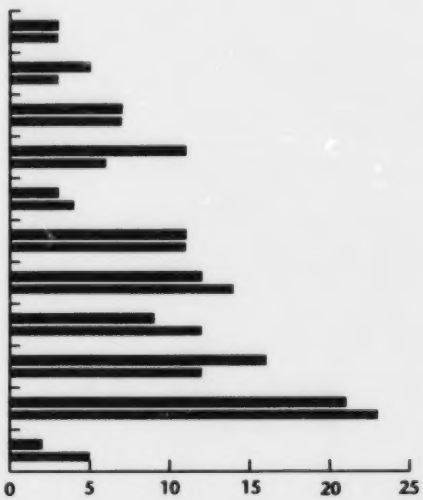


CANADIAN EQUITIES, BY SECTOR

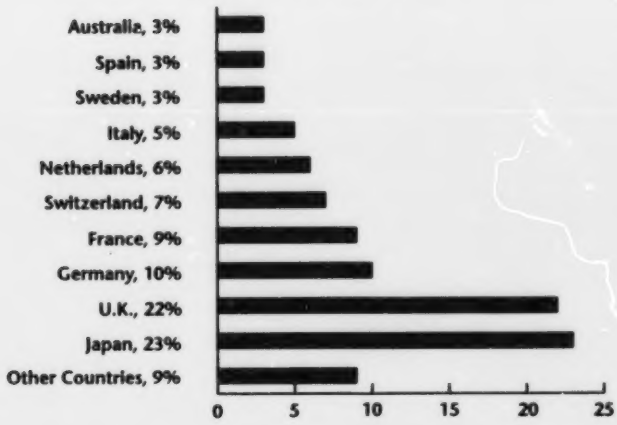
	Indexed	Actively Managed
Conglomerates	3.6%	2.8%
Communication and Media	4.1%	3.9%
Paper and Forest Products	2.0%	2.8%
Gold and Silver	3.6%	2.7%
Merchandising	2.8%	3.1%
Utilities	10.5%	5.9%
Mines and Minerals	3.8%	3.4%
Consumer Products	7.3%	7.6%
Oil and Gas	7.6%	10.9%
Industrial Products	20.2%	20.4%
Financial Services	20.4%	21.8%
Other	14.1%	14.7%

U.S. EQUITIES, BY SECTOR

	Indexed	Actively Managed
Auto and Transport	2.7%	2.7%
Integrated Oils	4.8%	3.3%
Producer Durables	7.2%	6.9%
Utilities	11.2%	6.0%
Materials and Processing	3.3%	4.1%
Consumer Staples	11.0%	10.5%
Health Care	12.2%	14.4%
Consumer Discretionary	9.0%	11.5%
Financial Services	16.3%	12.2%
Technology	20.9%	23.0%
Other	1.4%	5.4%



INTERNATIONAL EQUITIES



INVESTMENT PERFORMANCE

NET EARNED RATE OF THE FUND

Year	%
1995	9.3
1996	10.8
1997*	11.3
1998	13.5
1999	12.0

*Effective 1997, the net earned rate is based on a five-year average.

INVESTMENT PERFORMANCE

MARKET VALUE RATES OF RETURN FOR THE YEAR ENDED MARCH 31, 1999

	Basic Account	Inflation Adjustment Account	1999 Performance Bench Marks	
Five-year Average Rates				
1999	12.0%			
1998 Comparison	13.5%			
Annual Rates				
1999	3.0%	3.1%	3.9%	
1998 Comparison	22.7%	22.3%	23.3%	
1998 Annual Rates by Investment Category				
Short-term				
Money Market	5.3%	5.3%	4.9%	SC 91-Day T-Bills
Bonds	5.7%	5.7%	5.6%	Short-term Government Bonds
Bonds				
Government	7.1%	7.1%	7.1%	Government
Real Return	–	3.2%	–	SC Universe
Canadian Equities				
Actively Managed	(10.9%)	(10.9%)	(11.3%)	TSE 300
Indexed				
TSE 300	(10.4%)	(10.4%)		
TSE 100	(11.1%)	(11.1%)	(11.3%)	TSE 300
U.S. Equities				
Actively Managed	19.6%	19.6%	24.9%	R 1000
Indexed	26.3%	26.3%	26.1%	S&P 500
International Equities				
Europe	11.5%	11.5%	11.3%	MSCI Europe
Asia	11.8%	11.8%	17.4%	MSCI Pacific Basin
Europe, Australia and the Far East	10.9%	10.9%	12.8%	MSCI EAFE
Real Estate	12.1%	12.1%	15.8%	Canadian Property
Mortgages				
Fixed-term	7.1%	7.1%	6.8%	SC ST Bond + 1%
Construction	7.6%	7.6%	6.2%	SC 1 Yr Bills

Performance Benchmark Indices Abbreviations

SC	=	Scotia Capital
DSB	=	Dominion Securities Barra
MSCI	=	Morgan Stanley Capital International
S&P	=	Standard and Poor's
R	=	Russell
TSE	=	Toronto Stock Exchange

(Source of Annual Rates: Office of the Chief Investment Officer, Ministry of Finance and Corporate Relations)

ACTUARIAL VALUATION/ PLAN FUNDING

Employees and employers both contribute to the plan. Every three years, an independent actuary assesses the adequacy of the contribution rates for funding the pension plan. The latest valuation examined the plan as at March 31, 1997 and disclosed an actuarial surplus of $52.8 million.

LATEST ACTUARIAL VALUATION – MARCH 31, 1997
BASIC PENSION BENEFITS

($ Millions)

	1997	1994
Actuarial Net Assets	$305.1	$209.8
Actuarial Liabilities	252.3	200.6
Net Actuarial Surplus	$ 52.8	$ 9.2

Active membership in the WCB Superannuation Plan has grown 7% in five years—today, there are over 3,000 plan members and approximately 600 pensioners.

MEMBER SERVICES

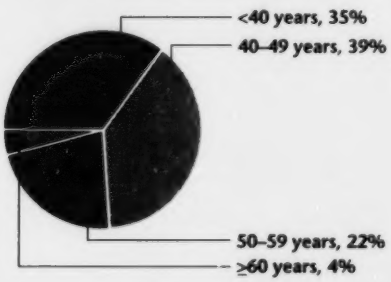
CONTRIBUTORS AND CONTRIBUTIONS

Active membership in the WCB Superannuation Plan has grown 7% in five years—today, there are over 3,000 plan members and approximately 600 pensioners. There are three categories of contributors.

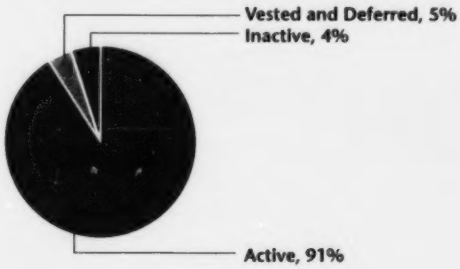
- Active—those who are currently contributing to, or are receiving benefits from, an approved salary continuance plan or are on a leave of absence.
- Inactive—those who are no longer employed but who have contribution balances on record and are not eligible for a pension in the future.
- Vested and deferred—those who are no longer employed and are eligible for a future pension. From 1998 on, the number of vested and deferred members includes inactive members who are active in another BC Family of Plans* pension plan and are likely to have a vested entitlement on the basis of a combined plan.

*Effective October 1, 1999 the BC Family of Plans was replaced by the provisions of the Interplan Pension Transfer Agreement.

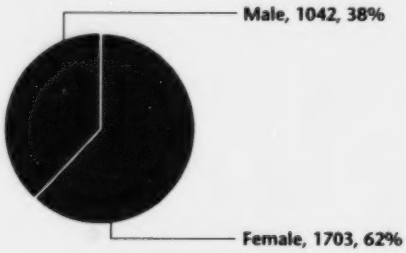
1999 AGE PROFILE OF ACTIVE CONTRIBUTORS



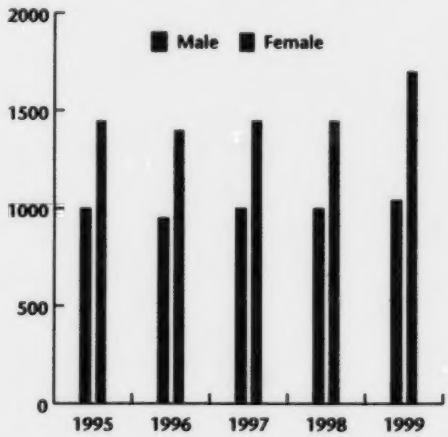
1999 CONTRIBUTOR PROFILE



1999 ACTIVE CONTRIBUTOR PROFILE



ACTIVE CONTRIBUTORS

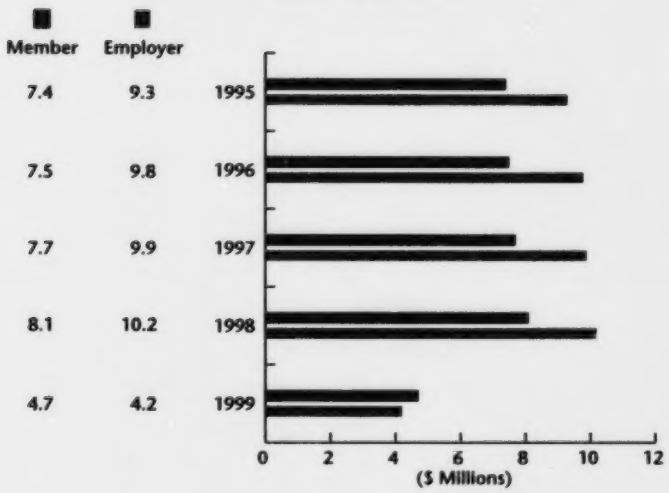


NUMBER OF CONTRIBUTORS

	Active	Inactive	Vested and Deferred	Total
1995	2,556	111	66	2,733
1996	2,489	150	76	2,715
1997	2,589	147	76	2,812
1998	2,592	132	139	2,863
1999	2,745	119	162	3,026

Note: Historical statistics have been restated to include leave of absence as active.

CONTRIBUTIONS



TERMINATION BENEFITS

A terminating member may be eligible for one or more of the following benefits:

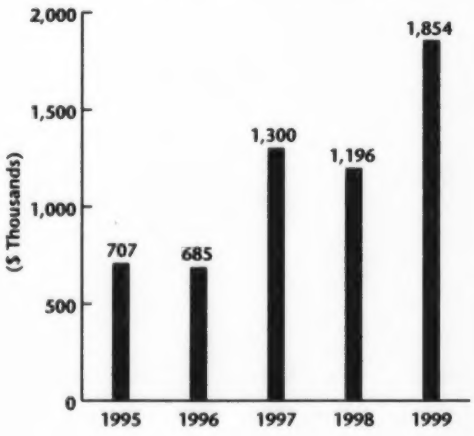
- refund of contributions with interest
- transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan, or
- a deferred pension.

After January 1, 1998, a terminating member with two or more years of service can claim vested, locked-in benefits in the form of a transfer of the commuted value or a deferred pension.

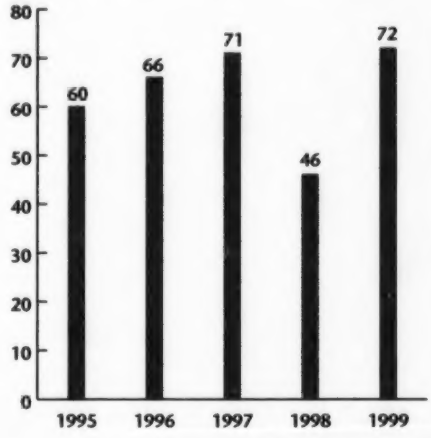
The number of termination benefits paid can vary from year to year. In 1999, the total value of termination benefits increased, primarily because of increased transfers of commuted value.

If a non-vested member leaves the plan and takes a refund of contributions, the refund includes interest. Interest is credited to the member's contribution balance and compounds semi-annually. The balance, including interest, is included in the plan member's annual benefit statement.

VALUE OF TERMINATION BENEFITS PAID



NUMBER OF TERMINATION BENEFITS PAID



Termination benefits include either refunds of contributions or commuted value transfers; deferred pensions are included in pension statistics.

ANNUAL RATES FOR INTEREST CREDITED TO CONTRIBUTION BALANCES

1994/95	6.50%
1995/96	5.50%
1996/97	5.00%
1997/98	6.25%
1998/99	11.25%

PENSIONS

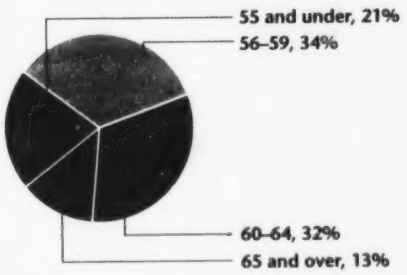
The number of pensioners continues to grow, primarily as a result of the aging of the plan's members. The number of pensioners on the payroll increased 5% from 1998 to 1999.

Pensions are paid at the end of each month, starting with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible, or
- the month following the month in which the plan member receives the final salary payment, or
- the month in which the Superannuation Commission receives the member's application.

The plan pays a full month's pension for the month in which a pensioner dies.

PERCENTAGE OF NORMAL PENSIONS BY AGE



PENSIONS 1995–1999

	Granted During Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid ($ Millions)	Inflation Supplements Paid ($ Millions)	Total ($ Millions)
1995	22	9	529	$5.1	$1.4	$6.5
1996	29	5	553	5.4	1.4	6.8
1997	27	8	572	5.8	1.5	7.3
1998	41	17	596	6.1	1.6	7.7
1999	47	17	626	6.9	1.6	8.5

PENSIONS GRANTED, BY TYPE 1995–1999

	Normal*	Death*	Disability+	Deferred	Total
1995	16	1	3	2	22
1996	19	1	3	6	29
1997	21	1	3	2	27
1998	36	2	2	1	41
1999	38	1	5	3	47

*Pensions granted do not include any pension continued to a beneficiary upon the death of a pensioner.
+Includes members on long-term disability who became eligible for a regular pension.

NORMAL PENSIONS, AGE AT RETIREMENT

Subdivided by Years of Service and Age at Retirement

Years of Service	55	56–59	60–64	65+	Total
<10 yrs	1	–	2	2	5
10 – 14	–	1	2	1	4
15 – 19	–	4	2	2	8
20 – 24	1	3	3	–	7
25 – 29	–	2	3	–	5
30 – 34	2	2	–	–	4
35+	4	1	–	–	5
Total	8	13	12	5	38

The value of a pension depends on a number of factors, including the member's age, salary, and length of service at the time of retirement.

The table below shows the average asset value ("present value") of pensions granted during 1998–99. The asset value represents the approximate cost of purchasing an average basic pension provided under the WCB Superannuation Plan, excluding any indexing benefit.

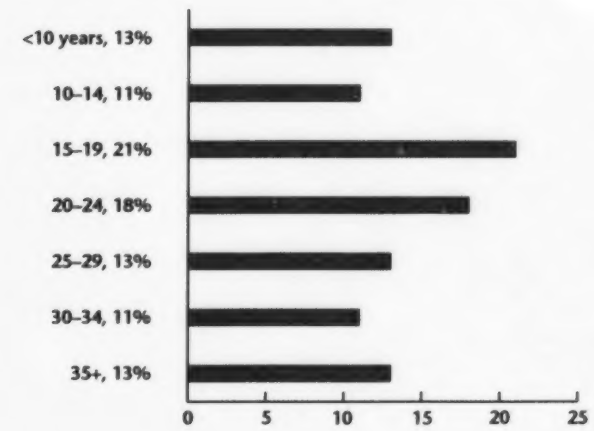
VALUE OF NORMAL PENSIONS GRANTED APRIL 1, 1998 TO MARCH 31, 1999

Subdivided by Years of Service

Years of Service*	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension (Single Life Option)	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 yrs	5	$84,000	$ 7,300	$ 60,000	$0.3
10 – 14	4	51,000	8,000	95,000	0.4
15 – 19	8	54,000	14,000	151,000	1.2
20 – 24	7	54,000	19,000	211,000	1.5
25 – 29	5	67,000	30,000	332,000	1.7
30 – 34	4	66,000	33,000	441,000	1.8
35+	5	70,000	41,000	528,000	2.6
Total	38	n/a	n/a	n/a	$9.5
All Pension Average	n/a	$63,000	$23,000	$250,000	n/a

*Years of Service includes services transferred from other plans.

PERCENTAGE OF NORMAL PENSIONS BY YEARS OF SERVICE



OTHER

Portability Provisions

Portability allows a member of a pension plan to transfer pension rights and contributions to another plan. For instance, members of the WCB Superannuation Plan may transfer their years of pensionable service and plan contributions to a new plan at a different place of employment if the WCB has a portability agreement with the new plan. Employers who allow transfers of pension rights to other employers or pension plans are referred to as "reciprocal employers."

Members of the WCB Superannuation Plan who have made contributions to another pension plan should inquire about portability agreements.

In 1999, the plan received no reciprocal transfers in from other agencies and paid no transfers out.

Purchase of Additional Service

It may be possible for plan members to purchase additional service. This may include:

- approved leaves of absence
- arrears contributions
- non-contributory service, and
- reinstatement of refunded contributions.

MEMBER AND EMPLOYER PURCHASES OF ADDITIONAL SERVICE

	Number of Purchases		Value of Purchases ($ Thousands)	
	1999	1998	1999	1998
Approved Leaves of Absence	13	39	$ 53	$179
Arrears Contributions	35	5	76	4
Non-contributory Service	1	–	30	–
Reinstatement of Refunded Contributions	40	9	572	119
Total	89	53	$731	$302

Report of the Auditor General of British Columbia

To the Superannuation Commissioner, Trustee:

I have audited the statement of net assets available for benefits of the *Workers' Compensation Board Superannuation Plan* as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Superannuation Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Workers' Compensation Board Superannuation Plan* as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Victoria, British Columbia
June 21, 1999

BRITISH COLUMBIA

IN REPLY REFER TO

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN

ADMINISTRATOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Workers' Compensation Board Superannuation Plan were prepared by the Superannuation Commission, the administrator of the plan. The commission is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, the Superannuation Commission maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the plan. The role of the actuary is to complete an actuarial valuation of the plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the plan in accordance with generally accepted auditing standards. The resulting audit opinion is set out in the Report of the Auditor General attached to these financial statements.

John W Cook

JOHN W. COOK, F.C.I.A.,
Superannuation Commissioner,
Trustee

P. LOUISE YOUNG, C.A.,
Executive Director, Plan Finance
Superannuation Commission

June 21, 1999

Superannuation Commission
Office of the Commissioner
Mailing Address:
PO Box 9460 Stn Prov Govt
Victoria BC V8W 9V8
Telephone: (250) 387-8201
Facsimile: (250) 387-4199
Location:
2995 Jutland Road, Victoria

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

March 31	1999	1998
ASSETS		
Investments (Note 3)	$ 513,559	$ 500,379
Receivables		
Members' contributions	774	622
Employer's contributions	510	800
Accrued investment income	101	102
Other	-	9
	1,385	1,533
Cash	64	127
Total Assets	515,008	502,039
LIABILITIES		
Accounts payable and accrued expenses	422	551
Total Liabilities	422	551
NET ASSETS AVAILABLE FOR BENEFITS	$ 514,586	$ 501,488

Obligations for Pension Benefits (Note 7)

The 11 accompanying notes are an integral part of these financial statements.

John W. Cook, F.C.I.A.,
Superannuation Commissioner,
Trustee

P. Louise Young, C.A.,
Executive Director, Plan Finance
Superannuation Commission

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended March 31	Basic Account	Inflation Adjustment Account	Supplemental Benefit Account	Totals 1999	1998
INCREASE IN ASSETS					
Investment income (Note 4)	$ 12,464	$ 2,350	$ -	$ 14,814	$ 91,610
Contributions (Note 5)					
Members	3,305	1,455	-	4,760	8,068
Employer	2,631	1,541	11	4,183	10,194
	5,936	2,996	11	8,943	18,262
Transfers from other plans	-	-	-	-	-
Total Increase in Assets	18,400	5,346	11	23,757	109,872
DECREASE IN ASSETS					
Pension benefits paid					
Contributory	6,904	-	-	6,904	6,151
Indexing supplements	1,590	-	-	1,590	1,569
Supplemental pensions	-	-	9	9	5
	8,494	-	9	8,503	7,725
Termination benefits paid	1,476	378	-	1,854	1,196
Transfers to other plans	-	-	-	-	131
Administration costs (Note 9)	300	-	2	302	582
Total Decrease in Assets	10,270	378	11	10,659	9,634
INCREASE IN NET ASSETS BEFORE TRANSFERS	8,130	4,968	-	13,098	100,238
Account transfers (Note 6)	(4,120)	4,120	-	-	-
INCREASE IN NET ASSETS	4,010	9,088	-	13,098	100,238
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	425,398	76,090	-	501,488	401,250
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 429,408	$ 85,178	$ -	$ 514,586	$ 501,488

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

1. DESCRIPTION OF THE WCB SUPERANNUATION PLAN

The following brief description of the Workers' Compensation Board Superannuation Plan (the plan) is provided for general information only. For more information refer to the plan document.

a) General

The plan is a contributory defined benefit pension plan open to all eligible employees and board members of the Workers' Compensation Board (WCB).

b) Roles and Responsibilities

The Superannuation Commissioner is responsible for administering the plan and is one of three trustees appointed by the WCB. In carrying out his administrative duties, the commissioner is supported by, and acts as chief executive officer to, the Superannuation Commission, a division of the Ministry of Finance and Corporate Relations of British Columbia. The Workers' Compensation Board Superannuation Fund is the trust fund in which contributions accumulate and are invested to pay current and future pension benefits. The trustees of the fund are responsible for its administration including investment decisions. The trustees currently use the Office of the Chief Investment Officer of the Ministry of Finance and Corporate Relations, for investment management services.

c) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with a total of age plus years of service equalling 90 or more.

Other retiring members have a reduction formula applied to their pensions.

The plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE) and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings is based on the member's highest five-year average salary

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

1. DESCRIPTION OF THE WCB SUPERANNUATION PLAN (continued)

c) Pension Benefits (continued)

(HAS). The plan also provides a bridging benefit with CPP which is payable to age 65 (or the date of death, if earlier). The bridging benefit is .7% of the lesser of YMPE or the HAS, for each year of the member's pensionable service since January 1, 1966 (when CPP was introduced).

Increases to pension payments are provided each January 1 in accordance with the indexing provisions of the plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6).

At January 1, 1999 pensioners received a full CPI increase of .7% (1998 - 1.6%).

d) Termination and Portability Benefits

Effective January 1, 1998, a terminating member who is eligible for a pension benefit may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit to a locked-in RRSP, other registered pension plan or similar eligible tax-sheltered plan.

Upon termination, a member who is not eligible for a pension benefit (non-vested), is eligible to receive a refund of his or her own contributions, with interest. A non-vested member may also choose to leave monies on deposit in anticipation of possible future re-entry to the plan. Where there are portability arrangements between the WCB Superannuation Plan and other plans, members may be able to carry certain pension rights to those other plans, or transfer contributions and service from those other plans to increase pension benefits under the WCB plan.

e) Other Benefits

Disability and survivor benefits are available under the plan. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

f) Income Taxes

The plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)* and is not subject to income taxes, except for supplemental benefits (Note 10), which are provided in addition to the RPP.

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the aggregate financial position of the plan as a separate financial reporting entity, independent of the plan's contributing employer and members.

b) Investments

Investments are stated at market value. Market value is derived from external quotations or appraisals. Investment purchases and sales are recorded on trade date.

c) Investment Income

Investment income is recorded on the accrual basis.

3. INVESTMENTS (Market Value)

	1999			1998
	Basic Account	Inflation Adjustment Account	Total	Total
			($ Thousands)	
Short-term	$ 5,264	$ 4,729	$ 9,993	$ 15,955
Canadian Bonds	154,458	27,254	181,712	168,570
Canadian Equities	136,773	25,559	162,332	177,448
U.S. Equities	47,506	8,813	56,319	56,747
International Equities	36,901	6,679	43,580	41,937
Mortgages	13,292	2,342	15,634	9,834
Real Estate	31,316	5,737	37,053	28,939
Private Placements	6,937	-	6,937	949
	$432,447	$81,113	$513,560	$500,379

Pension plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the Office of the Chief Investment Officer. Each unit gives its holder a proportionate share in the net assets of the pooled fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

3. INVESTMENTS (continued)

Short-term investments consist of Canadian money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of Canadian diversified income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets.

4. INVESTMENT INCOME

	1999			1998
	Income Allocation	Current Period Change In Market Value	Total	Total
			($ Thousands)	
Basic Account				
Short-term	$ 455	$ 10	$ 465	$ 594
Canadian Bonds	8,912	1,430	10,342	15,498
Canadian Equities	2,398	(17,830)	(15,432)	35,907
U.S. Equities	921	9,079	10,000	16,911
International Equities	714	3,155	3,869	6,838
Mortgages	731	29	760	539
Real Estate	1,450	1,642	3,092	3,423
Private Placement	23	(100)	(77)	(132)
	$15,604	$ (2,585)	$ 13,019	$79,578
Investment Management Costs			(555)	(584)
Net Investment Income			$ 12,464	$78,994

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

4. INVESTMENT INCOME (continued)

	1999			1998
	Income Allocation	Current Period Change In Market Value	Total	Total
			($ Thousands)	
Inflation Adjustment Account				
Short-term	$ 128	$ 3	$ 131	$ 133
Canadian Bonds	1,523	32	1,555	2,264
Canadian Equities	425	(2,892)	(2,467)	5,896
U.S. Equities	164	1,648	1,812	2,727
International Equities	128	556	684	1,087
Mortgages	116	5	121	84
Real Estate	279	329	608	519
	$2,763	$ (319)	$ 2,444	$12,710
Investment Management Costs			(94)	(94)
Net Investment Income			$ 2,350	$12,616
Total Investment Income			$15,463	$92,288
Total Investment Management Costs			(649)	(678)
Total Net Investment Income			$14,814	$91,610

The income allocation portion of investment income represents pooled investment portfolio income attributable to the pension fund, as a unitholder, and as calculated by the Ministry of Finance and Corporate Relations, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

5. CONTRIBUTIONS

	1999				1998
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
				($ Thousands)	
Members' contributions					
Regular	$2,697	$1,417	$ -	$4,114	$ 7,871
Arrears	35	2	-	37	2
Purchase of non-contributory service	15	-	-	15	-
Leave of absence	18	4	-	22	75
Refund reinstatement	540	32	-	572	119
Supplemental benefits	-	-	-	-	1
	3,305	1,455	-	4,760	8,068
Employer's contributions					
Regular	2,552	1,535	-	4,087	10,062
Arrears	37	2	-	39	2
Purchase of non-contributory service	15	-	-	15	-
Leave of absence	27	4	-	31	104
Supplemental benefits	-	-	11	11	26
	$2,631	$1,541	$ 11	$4,183	$10,194
Total Contributions	$5,936	$2,996	$ 11	$8,943	$18,262

6. ACCOUNT TRANSFERS

	1999		1998	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
		($ Thousands)		
Present value of current indexing supplements	$ 489	$ (489)	$ 1,071	$(1,071)
Indexing of deferred pensions	12	(12)	96	(96)
Excess interest	(3,621)	3,621	(4,093)	4,093
Other	(1,000)	1,000	-	-
	$(4,120)	$4,120	$(2,926)	$ 2,926

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

6. ACCOUNT TRANSFERS (continued)

A separate account is maintained for funding current and future indexing supplements. This Inflation Adjustment Account is funded through a portion of ongoing contributions from the employer and members (Note 8), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, as indexing supplements are made to members' pension payments, monies are transferred from the Inflation Adjustment Account to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is transferred from the Inflation Adjustment Account to the Basic Account.

Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid (approximately $74.6 million of assets for 1999, $67.7 million for 1998). The excess interest rate of return is determined by taking the difference between the actual market rate of return and the rate of return used by the actuary (7.15%) in valuing the plan's liabilities. The actual rate of return is based on a five-year average. The calculated excess interest rate of return for 1999 was 4.85%. Should the excess interest rate calculation ever result in a negative return, the negative return will be carried forward and offset against future excess returns.

Other transfers include a $1 million transfer from Basic to Inflation to reduce the actuarial surplus.

7. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation is performed every three years. The latest valuation was made as at March 31, 1997 by Eckler Partners Ltd. At that valuation net assets were $305.1 million (1994 - $209.8 million) and liabilities for accrued benefits were $252.3 million (1994 - $200.6 million), resulting in a net surplus of $52.8 million (1994 - $9.2 million) for the basic account.

The present value of liabilities for accrued pension benefits was determined using the projected benefit method prorated on service. Accrued basic pension benefits include all indexing granted to the date of valuation, but not future indexing. The underlying basis for the net asset valuation is a five-year investment market

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

7. OBLIGATIONS FOR PENSION BENEFITS (continued)

smoothing. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- annual investment return 7.15%
- annual salary escalation rate 5.15%

The 1997 valuation results were extrapolated to March 31, 1999 using the same long-term assumptions. The extrapolated net assets are $354.5 million and the liabilities are $308.0 million, with a resulting extrapolated surplus of $46.5 million.

In the short term, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation. While the actual experience is recognized when the complete actuarial valuation takes place every three years, these variances can limit the accuracy of short-term extrapolations made between valuation dates.

8. FUNDING POLICY - CONTRIBUTIONS

During 1997, WCB's contribution rate for the Basic Account was 6.2% of salary up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE), and 7.7% of salary above that. Members contributed 4.5% of salary up to the YMPE, and 6.0% of salary above that. Members and the WCB also each contribute 1% of salary to the Inflation Adjustment Account (Note 6).

Based on the 1997 actuarial valuation, WCB's current service cost to provide basic pension benefits is 8.03% for salary above the YMPE. However, as a result of the actuarial surplus, effective July 1, 1998, there was a temporary suspension of Basic Account contributions (contribution holiday) for members and WCB. On January 1, 1999, member contributions resumed at 50% of 1997 rates and will continue at that 50% level until December 31, 2000. WCB contributions are to match member contributions until December 31, 2000.

9. RELATED PARTY TRANSACTIONS

a) Administration Costs

Administration costs include general administration costs and actuarial fees. General administration costs incurred by the Superannuation Commission are prorated and charged to each pension plan under its administration based primarily on the

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

9. RELATED PARTY TRANSACTIONS (continued)

a) Administration Costs (continued)

relative numbers of members in each plan. General administration costs include all salaries, WCB Pension Board expenses, and other operating and administration costs.

Total expenses of $301,901 for the year ended March 31, 1999 were paid by the plan (1998 - $581,747).

b) Investment Management Costs

Investment management and custodial services are provided by the Office of the Chief Investment Officer (OCIO), which uses internal and external investment managers for this purpose.

Total investment management fees for the current year were $648,652. Of this amount $63,626 was charged for OCIO's internal investment management services (1998 – total fees $677,941; internal management services $55,183.)

c) Other

Separate from the pension plan, the WCB pays directly for the medical plan and extended health care premiums for pensioners and their dependents. For the year ended March 31, 1999 this amounted to $409,680 (1998 - $393,202).

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account provides for the payment and funding of supplemental benefits, such as contributions and pension benefits which exceed Revenue Canada limits. Contributions and pension benefits which exceed Revenue Canada limits are not significant to date.

11. YEAR 2000 SYSTEMS ISSUE

The Year 2000 systems issue arises because many date sensitive computer systems use two digits rather than four to identify a year and, therefore, may not correctly recognize the Year 2000. As a result, if all related system problems are not fully identified and fixed, the impact on operations and financial reporting could range from minor errors to system failures and could occur before, on or after

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

11. YEAR 2000 SYSTEMS ISSUE (continued)

January 1, 2000. The Superannuation Commission, whose computer systems support the administration of the Workers' Compensation Board Superannuation Plan, is making all reasonable efforts to ensure that the Year 2000 issue is addressed, including working with other government departments, employers and suppliers to do so.

The commission has reviewed all its computer systems for year 2000 problems and work is well underway to modify or replace all systems which are not already year 2000 ready. The two main computerized systems that support pension administration are the pension payment system and the contributor system. The pension payment system was designed with four digit years, with the Year 2000 in mind. Therefore problems are not anticipated with this system. However, as a precautionary measure, this system is also being tested. The contributor system is on schedule for replacement with a Year 2000 ready system in 1999, and the existing system has been modified and tested to be Year 2000 ready as a contingency measure.

The commission is making every effort to identify and resolve the Year 2000 issue. However, because of the pervasive nature of the problem, it is not possible to be absolutely certain that all aspects of the problem affecting the commission, including those related to the efforts of employers, suppliers or other third parties will be resolved. The commission, however, is developing contingency plans to ensure that critical services continue, such as the payment of pensions, should an unanticipated system failure occur.